

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**TOWNSHIP OF BERGLAND
ONTONAGON COUNTY, MICHIGAN**

March 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Bergland, Michigan	County Ontonagon
Fiscal Year End March 31, 2007	Opinion Date August 22, 2007	Date Audit Report Submitted to State September 18, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	Not needed	
Certified Public Accountant (Firm Name) Joki, Makela & Pollack, PLLC		Telephone Number 906-932-4430	
Street Address 301 N. Suffolk Street		City Ironwood	State MI
		Zip 49938	
Authorizing CPA Signature <i>Dean Beaudoin CPA</i>		Printed Name Dean Beaudoin	License Number 1101014194

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JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

TELEPHONE
906-932-4430
FAX
906-932-0677
EMAIL
jmp@ironwoodcpa.com

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Bergland
Bergland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Bergland as of and for the year ended March 31, 2007, which collectively comprise the basic financial statements of Township of Bergland, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Bergland as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2007, on our consideration of Township of Bergland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 10 and pages 39 and 40, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Bergland's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Joti, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
August 22, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF BERGLAND

Year ended March 31, 2007

Management's Discussion and Analysis

This section of the Township of Bergland's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2007. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending March 31, 2007. Prior-year data is not available for comparative purposes as the financial statements for the year ended March 31, 2006 were not audited.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes, charges for services, state grants and other revenues.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

Fund Financial Statements

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Fire Fund, Water Supply System Fund and Sanitary Sewage Disposal System Fund. The Township has two nonmajor funds; the Cemetery Fund and Parks and Recreation Fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

The Tax Collection Fund is reported in the fiduciary fund financial statement, but is excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following is a March 31, 2007, condensed statement of net assets with a detailed analysis of the statement below.

	Governmental Activities	Business-Type Activities
ASSETS		
Current Assets:		
Cash	\$ 18,015	\$ 65,414
Investments	88,180	
Receivables	7,365	16,593
Inventory		4,608
Due from other funds	<u>105,491</u>	<u>10,842</u>
Total Current Assets	\$ 219,051	\$ 97,457
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	\$ 240,995	\$ 776,145
Restricted cash		<u>67,392</u>
Total Noncurrent Assets	\$ 240,995	\$ 843,537
Total Assets	<u>\$ 460,046</u>	<u>\$ 940,994</u>
LIABILITIES		
Current liabilities	\$ 1,593	\$ 41,819
Due other funds	9,186	
Long-term liabilities, net of current portion		<u>195,000</u>
Total Liabilities	<u>\$ 10,779</u>	<u>\$ 236,819</u>
NET ASSETS		
Investment in capital assets, net of related debt	\$ 240,995	\$ 567,146
Restricted for debt service		67,392
Unrestricted	<u>208,272</u>	<u>69,637</u>
Total Net Assets	<u>\$ 449,267</u>	<u>\$ 704,175</u>

The Township's total net assets are \$1,153,442 at March 31, 2007. Capital assets, net of related debt are \$808,141. This figure is derived by taking the original cost of the Township's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets (Continued)

Restricted net assets of \$67,392 are restricted by enterprise fund bond ordinances.

The total unrestricted net assets are \$277,909 as of March 31, 2007. This is the net accumulated result of the current and past years' operations. The nature of the Township's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at March 31, 2007.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended March 31, 2007.

	Governmental Activities	Business-Type Activities
Revenue:		
Program Revenues:		
Charges for services	\$ 43,921	\$ 92,315
Operating grants and contributions	5,186	
General Revenues:		
Taxes	88,203	
State and federal grants	38,713	
Interest and rents	<u>9,922</u>	<u>1,166</u>
Total Revenue	\$ 185,945	\$ 93,481
Program expenses:		
Governmental activities	\$ 177,443	
Business-type activities	<u> </u>	<u>\$ 107,159</u>
	<u>\$ 177,443</u>	<u>\$ 107,159</u>
Increase (Decrease) in Net Assets	<u>\$ 8,502</u>	<u>\$ (13,678)</u>

The Township had an overall decrease in net assets of \$5,176 for the year ended March 31, 2007, consisting of an increase in governmental activities of \$8,502 and a decrease in business-type activities of \$13,678. The Township's revenues totaled \$279,426.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities (Continued)

The Township's total cost to fund governmental activities was \$177,443, and business-type activities was \$107,159. A majority of these costs were funded by property taxes, grants and charges for services. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

Governmental Fund Budgetary Items

A schedule showing the Township's General Fund and Fire Fund original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Capital Assets

At March 31, 2007, the Township had \$1,017,140 invested in capital assets net of accumulated depreciation. This amount increased during the past fiscal year by \$15,437, consisting of additions totaling \$59,276, and depreciation charges of \$17,185 for its governmental activities, and additions of \$17,849 and depreciation charges of \$44,503 for its business-type activities.

Debt

The Township had \$208,000 of outstanding revenue bonds payable as described in Note G to the financial statements.

Future Considerations

The change in state aid payments along with State budget cuts will impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend it's funding and leave the Township with a positive Fund Balance.

The Township is experiencing extraordinary growth mostly from construction and land sales on Lake Gogebic. The State Equalized Value (SEV) of the Township has increased by 8.5% per year, over the past five years. To keep up with growth, infrastructure improvement is considered to be top priority in coming years. An application for a federal grant through the USDA has been filed for construction of an extension of the sewer line from Bergland to Merriweather. Land has been purchased and plans are being formulated for a new fire hall and community center. A citizens group has been raising funds for renovation of the Township Park; new playground equipment, benches and cooking grills have been installed. All improvements are aimed at the increased use of the camping park, which will bring more tourist trade to the community.

Contacting the Township

If you have any questions about this report or need additional information, contact the Township offices at Township of Bergland, P.O. Box 326, Bergland, MI 49910; telephone number (906) 575-3522.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
TOWNSHIP OF BERGLAND, MICHIGAN
March 31, 2007

	Governmental Activities	Business-Type Activities
ASSETS		
CURRENT ASSETS		
Cash	\$ 18,015	\$ 65,414
Investments	88,180	
Receivables:		
Delinquent property taxes	7,365	
Accounts		16,593
Inventory		4,608
Due from other funds	<u>105,491</u>	<u>10,842</u>
TOTAL CURRENT ASSETS	\$ 219,051	\$ 97,457
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	\$ 240,995	\$ 776,145
Restricted cash	<u> </u>	<u>67,392</u>
TOTAL NONCURRENT ASSETS	\$ 240,995	\$ 843,537
TOTAL ASSETS	<u>\$ 460,046</u>	<u>\$ 940,994</u>
LIABILITIES		
CURRENT LIABILITIES		
Accrued interest		\$ 999
Salaries and related taxes	\$ 1,593	
Due other funds	9,186	27,820
Current portion of revenue bonds payable	<u> </u>	<u>13,000</u>
TOTAL CURRENT LIABILITIES	\$ 10,779	\$ 41,819
LONG-TERM LIABILITIES		
Revenue bonds payable, less current portion	<u> </u>	<u>195,000</u>
TOTAL LIABILITIES	<u>\$ 10,779</u>	<u>\$ 236,819</u>
NET ASSETS		
Investment in capital assets, net of related debt	\$ 240,995	\$ 567,146
Restricted		67,392
Unrestricted	<u>208,272</u>	<u>69,637</u>
TOTAL NET ASSETS	<u>\$ 449,267</u>	<u>\$ 704,175</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT
TOWNSHIP OF
Year ended

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Legislative	\$ 16,946		
General government	103,205	\$ 29,005	
Public safety	30,561	4,106	
Public works	1,166		\$ 5,186
Recreation and culture	9,162	10,810	
Other functions	<u>16,403</u>		
Total Governmental Activities	\$ 177,443	\$ 43,921	\$ 5,186
Business-type activities:			
Water Supply System Fund	\$ 60,879	\$ 51,387	
Sanitary Sewage Disposal System Fund	<u>46,280</u>	<u>40,928</u>	
Total Business-Type Activities	\$ 107,159	\$ 92,315	
Total	<u>\$ 284,602</u>	<u>\$ 136,236</u>	<u>\$ 5,186</u>

General revenues:

 Taxes
 State and federal grants
 Interest and rents

Total General Revenues

Change in Net Assets

Net assets at April 1, 2006

Net assets at March 31, 2007

The accompanying notes are an integral part of the
financial statements.

OF ACTIVITIES

BERGLAND, MICHIGAN

March 31, 2007

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (16,946)		\$ (16,946)
(74,200)		(74,200)
(26,455)		(26,455)
4,020		4,020
1,648		1,648
<u>(16,403)</u>		<u>(16,403)</u>
\$ (128,336)		\$ (128,336)
	\$ (9,492)	\$ (9,492)
	<u>(5,352)</u>	<u>(5,352)</u>
	\$ (14,844)	\$ (14,844)
\$ (128,336)	\$ (14,844)	\$ (143,180)
\$ 88,203		\$ 88,203
38,713		38,713
<u>9,922</u>	\$ 1,166	<u>11,088</u>
\$ 136,838	\$ 1,166	\$ 138,004
\$ 8,502	\$ (13,678)	\$ (5,176)
<u>440,765</u>	<u>717,853</u>	<u>1,158,618</u>
<u>\$ 449,267</u>	<u>\$ 704,175</u>	<u>\$ 1,153,442</u>

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2007

	General	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 8,079	\$ 3,315	\$ 6,621	\$ 18,015
Investments		59,174	29,006	88,180
Receivables - property taxes	7,365			7,365
Due from other funds	<u>70,609</u>	<u>34,882</u>		<u>105,491</u>
	<u>\$ 86,053</u>	<u>\$ 97,371</u>	<u>\$ 35,627</u>	<u>\$ 219,051</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Salaries and related taxes	\$ 1,593			\$ 1,593
Due other funds	<u>9,186</u>			<u>9,186</u>
Total Liabilities	\$ 10,779			\$ 10,779
Fund equity - unreserved fund balances	<u>75,274</u>	<u>\$ 97,371</u>	<u>\$ 35,627</u>	<u>208,272</u>
	<u>\$ 86,053</u>	<u>\$ 97,371</u>	<u>\$ 35,627</u>	<u>\$ 219,051</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS
TOWNSHIP OF BERGLAND, MICHIGAN
March 31, 2007

Total fund equity of governmental activities	\$ 208,272
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Amounts reported for governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and
therefore are not reported as assets in governmental funds.

Cost of capital assets	\$ 556,200	
Accumulated depreciation	<u>(315,205)</u>	<u>240,995</u>

Total net assets of governmental activities	<u>\$ 449,267</u>
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The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2007

	General	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 53,321	\$ 34,882	-	\$ 88,203
Licenses and permits	3,905			3,905
Federal grants	5,186			5,186
State grants	38,713			38,713
Charges for services	7,700			7,700
Interest and rents	6,661	2,152	\$ 1,109	9,922
Other revenues	<u>26,205</u>	<u>201</u>	<u>5,910</u>	<u>32,316</u>
	\$ 141,691	\$ 37,235	\$ 7,019	\$ 185,945
Expenditures:				
Current:				
Legislative	\$ 16,946			\$ 16,946
General government	97,316		\$ 5,889	103,205
Public safety	6,666	\$ 8,450		15,116
Recreation and culture	8,588			8,588
Other functions	16,403			16,403
Capital outlay	<u>38,760</u>	<u>4,095</u>	<u>16,421</u>	<u>59,276</u>
	\$ 184,679	\$ 12,545	\$ 22,310	\$ 219,534
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (42,988)	\$ 24,690	\$ (15,291)	\$ (33,589)
Fund balances at April 1, 2006	<u>118,262</u>	<u>72,681</u>	<u>50,918</u>	<u>241,861</u>
FUND BALANCES AT MARCH 31, 2007	<u>\$ 75,274</u>	<u>\$ 97,371</u>	<u>\$ 35,627</u>	<u>\$ 208,272</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
WITH THE STATEMENT OF ACTIVITIES

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2007

Net change in fund balance - total governmental funds	\$ (33,589)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or construct capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are capitalized in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 59,276	
Depreciation expense	<u>(17,185)</u>	<u>42,091</u>

Change in net assets of governmental activities	<u>\$ 8,502</u>
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The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2007

	Business-Type Activities Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash	\$ 17,104	\$ 48,310	\$ 65,414
Customer accounts receivable:			
Current	6,305	5,746	12,051
Delinquent accounts added to tax roll	2,816	1,726	4,542
Inventory	2,455	2,153	4,608
Due from other funds	<u>1,027</u>	<u>9,815</u>	<u>10,842</u>
TOTAL CURRENT ASSETS	\$ 29,707	\$ 67,750	\$ 97,457
NONCURRENT ASSETS			
Restricted cash	\$ 67,392		\$ 67,392
Capital assets	1,162,545	\$ 635,505	1,798,050
Less accumulated depreciation	<u>(502,970)</u>	<u>(518,935)</u>	<u>(1,021,905)</u>
TOTAL NONCURRENT ASSETS	\$ 726,967	\$ 116,570	\$ 843,537
TOTAL ASSETS	<u>\$ 756,674</u>	<u>\$ 184,320</u>	<u>\$ 940,994</u>
LIABILITIES			
CURRENT LIABILITIES			
Accrued interest	\$ 999		\$ 999
Due other funds	19,513	\$ 8,307	27,820
Current portion of long-term debt	<u>13,000</u>		<u>13,000</u>
TOTAL CURRENT LIABILITIES	\$ 33,512	\$ 8,307	\$ 41,819
NONCURRENT LIABILITIES			
Revenue bonds payable	\$ 208,000		\$ 208,000
Less amount classified as current liability	<u>13,000</u>		<u>13,000</u>
TOTAL NONCURRENT LIABILITIES	\$ 195,000		\$ 195,000
TOTAL LIABILITIES	<u>\$ 228,512</u>	<u>\$ 8,307</u>	<u>\$ 236,819</u>

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities		
	Enterprise Funds		
	Water	Sanitary	
	Supply	Sewage	
	System	Disposal	
	Fund	System	
		Fund	Totals
NET ASSETS			
Investment in capital assets, net of related debt	\$ 450,576	\$ 116,570	\$ 567,146
Restricted	67,392		67,392
Unrestricted	<u>10,194</u>	<u>59,443</u>	<u>69,637</u>
TOTAL NET ASSETS	<u>\$ 528,162</u>	<u>\$ 176,013</u>	<u>\$ 704,175</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2007

	Business-Type Activities Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
Operating revenues:			
Charges for services	\$ 48,931	\$ 40,218	\$ 89,149
Hydrant rental	2,000		2,000
Other	<u>456</u>	<u>710</u>	<u>1,166</u>
TOTAL OPERATING REVENUES	\$ 51,387	\$ 40,928	\$ 92,315
Operating expenses:			
Personnel services	\$ 10,881	\$ 7,305	\$ 18,186
Materials and supplies	5,809	11,452	17,261
Services	6,640	10,786	17,426
Provision for depreciation	<u>27,766</u>	<u>16,737</u>	<u>44,503</u>
TOTAL OPERATING EXPENSES	\$ 51,096	\$ 46,280	\$ 97,376
OPERATING INCOME (LOSS)	\$ 291	\$ (5,352)	\$ (5,061)
Nonoperating revenues (expenses):			
Interest earned	\$ 748	\$ 418	\$ 1,166
Debt service - interest and fees	<u>(9,783)</u>	<u></u>	<u>(9,783)</u>
	\$ (9,035)	\$ 418	\$ (8,617)
CHANGE IN NET ASSETS	\$ (8,744)	\$ (4,934)	\$ (13,678)
Net assets at April 1, 2006	<u>536,906</u>	<u>180,947</u>	<u>717,853</u>
NET ASSETS AT MARCH 31, 2007	<u>\$ 528,162</u>	<u>\$ 176,013</u>	<u>\$ 704,175</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2007

	Business-Type Activities Enterprise Funds		
	Water Supply System Fund	Sanitary Sewage Disposal System Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 48,438	\$ 40,045	\$ 88,483
Hydrant rental	2,000		2,000
Cash paid to suppliers for goods and services	<u>(23,330)</u>	<u>(38,729)</u>	<u>(62,059)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 27,108	\$ 1,316	\$ 28,424
Cash flows from capital and related financing activities:			
Capital expenditures		\$ (10,852)	\$ (10,852)
Principal paid on revenue bonds	\$ (13,000)		(13,000)
Revenue bond interest and fees paid	<u>(10,052)</u>	<u> </u>	<u>(10,052)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (23,052)	\$ (10,852)	\$ (33,904)
Cash flows from investing activities - interest earned	<u>748</u>	<u>418</u>	<u>1,166</u>
NET INCREASE (DECREASE) IN CASH	\$ 4,804	\$ (9,118)	\$ (4,314)
Cash at April 1, 2006	<u>79,692</u>	<u>57,428</u>	<u>137,120</u>
CASH AT MARCH 31, 2007	<u>\$ 84,496</u>	<u>\$ 48,310</u>	<u>\$ 132,806</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 291	\$ (5,352)	\$ (5,061)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	\$ 27,766	\$ 16,737	\$ 44,503
(Increase) in:			
Due from other funds	(112)	(9,254)	(9,366)
Customer accounts receivable	<u>(837)</u>	<u>(815)</u>	<u>(1,652)</u>
Total adjustments	<u>\$ 26,817</u>	<u>\$ 6,668</u>	<u>\$ 33,485</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 27,108</u>	<u>\$ 1,316</u>	<u>\$ 28,424</u>
Supplemental disclosure of cash flow information-			
Non cash capital expenditure financed by amount due to other fund	\$ 6,997		\$ 6,997

The accompanying notes are an integral part of the financial statements.

STATEMENT OF FIDUCIARY NET ASSETS - TAX COLLECTION FUND

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2007

ASSETS	
Cash in bank	<u>\$ 79,327</u>
LIABILITIES	
Due other funds	<u>\$ 79,327</u>

The accompanying notes are an integral part of the
financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS
TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Bergland operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial reporting entity. The criteria established for determining the various governmental organizations to be included as component units in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, no financial statements of any component units are required to be included in the financial statements of the Township.

Basis of Presentation

Government-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. The Township General Fund, Fire Fund, Cemetery Fund and Parks and Recreation Fund are considered to be governmental activities and its enterprise funds business-type activities. Interfund activity including operating transfers between activities has been eliminated in the Government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental, business-type and fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The Township reports the General Fund, Fire Fund, Water Supply System Fund and Sanitary Sewage Disposal System Fund as major funds. The Cemetery Fund and Parks and Recreation Fund are nonmajor funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements (Continued)

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Fire Fund – The Fire Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for fire purposes.

Cemetery Fund – The Cemetery Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for cemetery purposes.

Parks and Recreation Fund – The Parks and Recreation Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for park and recreation purposes.

Proprietary Fund Types

These funds account for operations that are organized to be self-supporting through user charges and include Enterprise Funds.

Enterprise Funds - Water Supply System and Sanitary Sewage Disposal System Funds are used to account for operations of the water and the sewage systems in a manner similar to private business enterprises, where the intent of the Township is that the expenses, including depreciation, of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Type

Agency Fund – The Tax Collection Fund is used to account for assets held by the Township in a trustee capacity or as an agent for other governments and other funds. This fund is custodial in nature and does not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary fund types use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Township applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. A formal budget is adopted for all governmental funds. The budget is adopted on the same basis of accounting as is used to reflect actual revenues and expenditures.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Township Board, budgetary transfers between departments can be made. The budgeted financial statements represented in this report reflect the final budget authorization and any budget amendments approved by the Board during the year. Budgets are adopted on the functional level and lapse at the end of the year.

Investments

Investments include certificates of deposit in local financial institutions with original maturity dates greater than 90 days and are stated at fair market value, which is equal to cost.

Receivables

Credit is extended to customers of the Enterprise Funds and to various units of government by the General Fund. All receivables are reported at their gross value. No allowance for uncollectible accounts is included in the financial statements as uncollectible accounts are nominal. Annually, the Township adds delinquent accounts to its tax roll for collection.

Inventories

Inventories of proprietary funds are valued at cost.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Investment in Capital Assets, Net of Related Debt

This is a portion of net assets of the Township that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of cash that can be used only to service outstanding debt and to pay for replacement of the utility plant assets.

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, fire trucks and vehicles and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$10,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	40 years
Office furniture and fixtures	5-20 years
Fire equipment	20 years
Other equipment	5-20 years
Utility plant	40 years
Vehicles	3-5 years

Long-Term Debt

Long-term liabilities for revenue bonds are reported in the appropriate Enterprise Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations.

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a revenue when they are levied because they are both measurable and available. Delinquent real property taxes of the Township and all other local units are purchased annually by the County of Ontonagon.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980

The Township did not have any funds with a fund-balance deficit or retained-earnings deficit at March 31, 2007.

Public Act 621 of 1978

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year the Township incurred expenditures in certain activities, which were significantly in excess of amounts appropriated.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Compliance with Bond Covenants

Following is a summary of required reserves under revenue bond ordinances and funding levels at March 31, 2007:

	Required Reserve at <u>March 31, 2007</u>	Balance at <u>March 31, 2007</u>
Water Supply System Revenue Bonds, dated August 2, 1974:		
Bond Reserve Account	\$ 13,113	\$ 16,692
General Purpose Account	10,000	12,454
Water Supply System Revenue Bonds, dated September 24, 1998:		
Bond Reserve Account	8,800	10,261
General Purpose Account	<u>24,000</u>	<u>27,985</u>
TOTALS	<u>\$ 55,913</u>	<u>\$ 67,392</u>

NOTE C – PROPERTY TAX ADMINISTRATION FEE

The Township has not established a subsidiary ledger to account for costs incurred in collection, assessing and reviewing of property tax levies as required by Public Act 503 of 1982. A summary of the transactions that would affect the balance sheet equity account for the year ended March 31, 2007, follows:

Receipts from charging administrative fee	\$ 13,528
Costs incurred	<u>17,376</u>
Excess of costs	<u>\$ (3,848)</u>

NOTE D - CASH INFORMATION

All deposits were made in a bank insured by federal depository insurance. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2007, cash, including restricted cash and investments, totaled \$318,328. The actual bank balances totaled \$342,691, of which \$100,000 was covered by federal depository insurance and \$242,691 exceeded federal depository insurance coverage.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - PROPERTY TAXES

The Township bills and collects its own property taxes and also collects current rolls for the County, School District, State Education Tax and Intermediate School District. The delinquent real property taxes of the Township for the 2006 levy are to be purchased by the County of Ontonagon.

A summary of the 2006 tax roll follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collections</u>
County	16.0968	\$ 394,355	\$ 33,271	\$ 361,084
State Education Tax	6.0000	147,006	10,646	136,360
School:				
Operating	15.8626	249,932	18,167	231,765
Debt	8.5000	208,259	19,764	188,495
Township	<u>3.0048</u>	<u>73,617</u>	<u>6,986</u>	<u>66,631</u>
TOTALS	<u>49.4642</u>	<u>\$ 1,073,169</u>	<u>\$ 88,834</u>	<u>\$ 984,335</u>
Taxable valuation:				
Homestead				\$ 8,497,922
Non-homestead				<u>16,073,185</u>
			TOTAL	<u>\$24,571,107</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended March 31, 2007:

	Balance at April 1, <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2007</u>
<u>Governmental Activities:</u>				
Assets:				
Land	\$ 30,444	\$ 29,333		\$ 59,777
Buildings and improvements	91,858			91,858
Fire equipment	319,722	4,095		323,817
Other equipment	5,000	6,997		11,997
Recreation park	49,900	18,851		68,751
	<u>\$ 496,924</u>	<u>\$ 59,276</u>		<u>\$ 556,200</u>
Less accumulated depreciation	<u>298,020</u>	<u>17,185</u>		<u>315,205</u>
Net	\$ 198,904	\$ 42,091	\$ 0	\$ 240,995
<u>Business-type Activities:</u>				
Water Supply System Fund:				
Land	\$ 15,642			\$ 15,642
Vehicles and equipment	17,059	\$ 6,997	\$ 8,412	15,644
Water system and distribution mains	1,131,259			1,131,259
	<u>\$ 1,163,960</u>	<u>\$ 6,997</u>	<u>\$ 8,412</u>	<u>\$ 1,162,545</u>
Less accumulated depreciation	<u>483,616</u>	<u>27,766</u>	<u>8,412</u>	<u>502,970</u>
Net	\$ 680,344	\$ (20,769)	\$ 0	\$ 659,575
Sanitary Sewage Disposal System:				
Land	\$ 4,750			\$ 4,750
Vehicles and equipment	15,211	\$ 10,852	\$ 5,608	20,455
Sewage collection and treatment facilities	610,300			610,300
	<u>\$ 630,261</u>	<u>\$ 10,852</u>	<u>\$ 5,608</u>	<u>\$ 635,505</u>
Less accumulated depreciation	<u>507,806</u>	<u>16,737</u>	<u>5,608</u>	<u>518,935</u>
Net	\$ 122,455	\$ (5,885)	\$ 0	\$ 116,570
Total Business-Type Activities	<u>\$ 802,799</u>	<u>\$ (26,654)</u>	<u>\$ 0</u>	<u>\$ 776,145</u>
TOTAL GOVERNMENT	<u>\$ 1,001,703</u>	<u>\$ 15,437</u>	<u>\$ 0</u>	<u>\$ 1,017,140</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - REVENUE BONDS PAYABLE

Data relative to the Water Supply System Fund revenue bonds at March 31, 2007, follows. Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order. These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bergland, but are payable solely from the revenues of the Water Supply System Fund.

1974 Issue

Date of issue - August 2, 1974

Amount of original issue - \$225,000

Outstanding at March 31, 2007 - \$25,000

Interest rate - 5%

Interest dates - January 1 and July 1

Bond payment date - January 1

Debt service charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 10,000	\$ 1,250	\$ 11,250
2009	10,000	750	10,750
2010	<u>5,000</u>	<u>250</u>	<u>5,250</u>
	<u>\$ 25,000</u>	<u>\$ 2,250</u>	<u>\$ 27,250</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - REVENUE BONDS PAYABLE (CONTINUED)

1998 Issue

Date of issue - September 24, 1998
 Amount of original issue - \$200,000
 Outstanding at March 31, 2007 - \$183,000
 Interest rate - 4.5%
 Interest dates - March 1 and September 1
 Bond payment date - September 1

Debt charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,000	\$ 8,145	\$ 11,145
2009	3,000	8,010	11,010
2010	3,000	7,875	10,875
2011	3,000	7,740	10,740
2012	3,000	7,605	10,605
2013	3,000	7,470	10,470
2014	3,000	7,335	10,335
2015	4,000	7,110	11,110
2016	4,000	6,930	10,930
2017	4,000	6,750	10,750
2018	4,000	6,570	10,570
2019	4,000	6,390	10,390
2020	4,000	6,210	10,210
2021	5,000	6,030	11,030
2022	5,000	5,805	10,805
2023-2027	28,000	25,290	53,290
2028-2032	35,000	17,955	52,955
2033-2037	44,000	8,910	52,910
2038-2039	<u>21,000</u>	<u>495</u>	<u>21,495</u>
	<u>\$ 183,000</u>	<u>\$ 158,625</u>	<u>\$ 341,625</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2007, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 70,609	Enterprise Tax Collection	\$ 27,820 42,789
	\$ 70,609		\$ 70,609
Enterprise	9,186	General	9,186
Fire	34,882	Tax Collection	34,882
Enterprise	1,656	Tax Collection	1,656
TOTAL	<u>\$ 116,333</u>	TOTAL	<u>\$ 116,333</u>

NOTE I – STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2007, the Township collected construction code service fees of \$3,905 and spent \$5,452 for enforcing the code. Because the fee structure is not intended to recover the full cost of enforcement and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise Funds - one to provide a water supply system and one to provide a sewage disposal system. Segment information for the year ended March 31, 2007, follows:

	<u>Water Supply System Fund</u>	<u>Sanitary Sewage Disposal System Fund</u>	<u>Total Enterprise Fund</u>
Operating transfers in (out)	\$ 0	\$ 0	\$ 0
Tax revenues	0	0	0
Current capital contributions	0	0	0
Utility plant:			
Additions	6,997	10,852	17,849
Deletions	8,412	5,608	14,020

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the Governmental and Proprietary Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2007, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE L - COMPARATIVE PROPRIETARY FUND TYPE FINANCIAL STATEMENTS

Comparative proprietary fund type financial statements required by U.S. Department of Agriculture Rural Utilities Service are not presented because an audit of the financial statements was not done for the year ended March 31, 2006.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE -

TOWNSHIP OF

Year ended

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 52,709	\$ 52,709	\$ 53,321
Licenses and permits	4,650	4,650	3,905
Federal grants			5,186
State grants	47,086	47,086	38,713
Charges for services	6,000	6,000	7,700
Interest and rents	5,450	5,450	6,661
Other revenues	<u>24,438</u>	<u>24,438</u>	<u>26,205</u>
TOTAL REVENUES	\$ 140,333	\$ 140,333	\$ 141,691
Expenditures:			
Current:			
Legislative	\$ 14,800	\$ 14,800	\$ 16,946
General government	67,855	67,855	97,316
Public safety	9,321	9,321	6,666
Public works	9,000	9,000	
Recreation and culture	11,350	11,350	8,588
Other functions	14,230	14,230	16,403
Capital outlay	<u></u>	<u></u>	<u>38,760</u>
TOTAL EXPENDITURES	\$ 126,556	\$ 126,556	\$ 184,679
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 13,777	\$ 13,777	\$ (42,988)
Fund balance at April 1, 2006	<u>118,262</u>	<u>118,262</u>	<u>118,262</u>
FUND BALANCE AT MARCH 31, 2007	<u>\$ 132,039</u>	<u>\$ 132,039</u>	<u>\$ 75,274</u>

The accompanying notes are an integral part of the financial statements.

GENERAL FUND AND FIRE FUND

BERGLAND, MICHIGAN

March 31, 2007

Original Budget	Fire Fund	
	Final Budget	Actual
\$ 33,917	\$ 33,917	\$ 34,882
		2,152
		<u>201</u>
\$ 33,917	\$ 33,917	\$ 37,235
\$ 9,400	\$ 9,400	\$ 8,450
		4,095
\$ 9,400	\$ 9,400	\$ 12,545
\$ 24,517	\$ 24,517	\$ 24,690
<u>72,681</u>	<u>72,681</u>	<u>72,681</u>
<u>\$ 97,198</u>	<u>\$ 97,198</u>	<u>\$ 97,371</u>

OTHER
FINANCIAL
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2007

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Property taxes	\$ 39,000	\$ 38,146	\$ (854)
Payment in lieu of tax		34	34
Commercial forest reserve tax	3,750	3,495	(255)
Swamp tax	170	171	1
Property tax administrative fee	<u>9,789</u>	<u>11,475</u>	<u>1,686</u>
	\$ 52,709	\$ 53,321	\$ 612
Licenses and permits - building permits	4,650	3,905	(745)
Federal grant - National Forest monies		5,186	5,186
State grants:			
Revenue sharing	\$ 37,586	\$ 37,526	\$ (60)
Other	<u>9,500</u>	<u>1,187</u>	<u>(8,313)</u>
	\$ 47,086	\$ 38,713	\$ (8,373)
Charges for services - camping fees	6,000	7,700	1,700
Interest and rents:			
Interest earned	\$ 300	\$ 1,661	\$ 1,361
Rents	<u>5,150</u>	<u>5,000</u>	<u>(150)</u>
	\$ 5,450	\$ 6,661	\$ 1,211
Other revenues:			
Refunds and reimbursements	\$ 2,216	\$ 3,770	\$ 1,554
Wage reimbursements	20,822	22,435	1,613
Liquor enforcement	<u>1,400</u>	<u></u>	<u>(1,400)</u>
	\$ 24,438	\$ 26,205	\$ 1,767
TOTAL REVENUES	<u>\$ 140,333</u>	<u>\$ 141,691</u>	<u>\$ 1,358</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2007

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries and wages		\$ 2,434	
Office		2,508	
Professional fees		8,954	
Miscellaneous		<u>3,050</u>	
TOTAL LEGISLATIVE	\$ 14,800	\$ 16,946	\$ (2,146)
GENERAL GOVERNMENT			
Supervisor:			
Salary		\$ 5,245	
Miscellaneous		<u>645</u>	
	\$ 5,642	\$ 5,890	\$ (248)
Elections:			
Salaries		\$ 1,689	
Miscellaneous		<u>485</u>	
	2,340	\$ 2,174	166
Assessor:			
Salaries		\$ 7,973	
Office		1,282	
Miscellaneous		<u>213</u>	
	10,403	\$ 9,468	935
Clerk:			
Salaries		\$ 7,274	
Office		322	
Miscellaneous		<u>152</u>	
	5,415	\$ 7,748	(2,333)
Board of review:			
Salaries		\$ 760	
Miscellaneous		<u>129</u>	
	1,200	\$ 889	311
Attorney		3,121	(3,121)

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Treasurer:			
Salaries		\$ 7,619	
Office		2,707	
Miscellaneous		<u>203</u>	
	10,590	\$ 10,529	61
Town hall and property:			
Salaries		\$ 1,557	
Supplies		2,927	
Repairs and maintenance		9,979	
Utilities		12,114	
Miscellaneous		<u>801</u>	
	17,550	\$ 27,378	(9,828)
Cemetery - miscellaneous	400	293	107
Property maintenance:			
Salaries and wages		\$ 24,744	
Health insurance		<u>5,082</u>	
	<u>14,315</u>	<u>\$ 29,826</u>	<u>(15,511)</u>
TOTAL GENERAL GOVERNMENT	\$ 67,855	\$ 97,316	\$ (29,461)
PUBLIC SAFETY			
Building inspector - salaries	\$ 4,100	\$ 2,700	\$ 1,400
Zoning board:			
Salaries		\$ 1,794	
Miscellaneous		<u>751</u>	
	2,400	\$ 2,545	(145)
Liquor law enforcement	1,400		1,400

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	Expenditures		Variance
	Budget	Actual	Favorable (Unfavorable)
PUBLIC SAFETY (CONTINUED)			
Fire department - volunteer firemen	<u>1,421</u>	<u>1,421</u>	
TOTAL PUBLIC SAFETY	\$ 9,321	\$ 6,666	\$ 2,655
PUBLIC WORKS	\$ 9,000		\$ 9,000
RECREATION AND CULTURE			
Township park:			
Salaries and wages		\$ 1,034	
Supplies		2,141	
Repairs and maintenance		3,401	
Utilities		1,512	
Miscellaneous		<u>500</u>	
TOTAL RECREATION AND CULTURE	\$ 11,350	\$ 8,588	\$ 2,762
OTHER FUNCTIONS			
Employer's share of social security	\$ 5,130	\$ 4,767	\$ 363
Insurance	<u>9,100</u>	<u>11,636</u>	<u>(2,536)</u>
TOTAL OTHER FUNCTIONS	\$ 14,230	\$ 16,403	\$ (2,173)
CAPITAL OUTLAY			
Township board		\$ 6,997	\$ (6,997)
Town hall and property		29,333	(29,333)
Township park		<u>2,430</u>	<u>(2,430)</u>
TOTAL CAPITAL OUTLAY	\$ 0	\$ 38,760	\$ (38,760)
TOTAL EXPENDITURES	\$ <u>126,556</u>	\$ <u>184,679</u>	\$ <u>(58,123)</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

March 31, 2007

	Cemetery Fund	Parks and Recreation Fund	Total
ASSETS			
Cash	\$ 3,385	\$ 3,236	\$ 6,621
Investments	<u>29,006</u>	<u> </u>	<u>29,006</u>
	<u>\$ 32,391</u>	<u>\$ 3,236</u>	<u>\$ 35,627</u>
FUND BALANCE			
Fund balances	<u>\$ 32,391</u>	<u>\$ 3,236</u>	<u>\$ 35,627</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2007

	Cemetery Fund	Parks and Recreation Fund	Total
REVENUES			
Interest	\$ 1,056	\$ 53	\$ 1,109
Other revenues	<u>2,800</u>	<u>3,110</u>	<u>5,910</u>
	\$ 3,856	\$ 3,163	\$ 7,019
EXPENDITURES			
Current:			
General government	\$ 5,889		\$ 5,889
Capital outlay	<u></u>	<u>\$ 16,421</u>	<u>16,421</u>
	<u>\$ 5,889</u>	<u>\$ 16,421</u>	<u>\$ 22,310</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (2,033)	\$ (13,258)	\$ (15,291)
Fund balances at April 1, 2006	<u>34,424</u>	<u>16,494</u>	<u>50,918</u>
FUND BALANCES AT MARCH 31, 2007	<u>\$ 32,391</u>	<u>\$ 3,236</u>	<u>\$ 35,627</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TAX COLLECTION FUND

TOWNSHIP OF BERGLAND, MICHIGAN

Year ended March 31, 2007

	Balance at April 1, 2006	Additions	Deductions	Balance at March 31, 2007
ASSETS				
Cash	<u>\$ 74,435</u>	<u>\$ 1,041,597</u>	<u>\$ 1,036,705</u>	<u>\$ 79,327</u>
LIABILITIES				
Due other funds	\$ 74,435	\$ 78,685	\$ 73,793	\$ 79,327
Due Ontonagon County		533,716	533,716	
Due Ewen-Trout Creek School		427,047	427,047	
Due State of Michigan		117	117	
Due individuals	<u> </u>	<u>2,032</u>	<u>2,032</u>	<u> </u>
	<u>\$ 74,435</u>	<u>\$ 1,041,597</u>	<u>\$ 1,036,705</u>	<u>\$ 79,327</u>

The accompanying notes are an integral part of the
financial statements.

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

TELEPHONE
906-932-4430
FAX
906-932-0677
EMAIL
jmp@ironwoodcpa.com

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board
Township of Bergland
Bergland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Bergland as of and for the year ended March 31, 2007, which collectively comprise the Township of Bergland's basic financial statements and have issued our report thereon dated August 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Bergland's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose or expressing an opinion on the effectiveness of the Township of Bergland's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Bergland's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Bergland's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Township of Bergland's financial statements that is more than inconsequential will not be prevented or detected by the Township of Bergland's internal control. We consider the deficiencies described in the accompanying

schedule of findings and questioned costs as items 07-1, 07-2 and 07-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Bergland's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings we consider items 07-2 and 07-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Bergland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Township of Bergland's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Township of Bergland's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Toti, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
August 22, 2007

SCHEDULE OF FINDINGS

TOWNSHIP OF BERGLAND

Year ended March 31, 2007

SIGNIFICANT DEFICIENCIES

(07-1) State of Michigan Public Act 621 of 1978 Budget Requirements

Public Act 621 of 1978, as amended, provides that a local unit prepare and monitor their fiscal year budgets in accordance with the Act. The Township incurred expenditures in the following activities, which were significantly in excess of amounts appropriated:

<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	(Unfavorable) <u>Variance</u>
General Fund -			
General government:			
Town hall and properties	\$ 17,550	\$ 27,378	\$ (9,828)
Property maintenance	14,315	29,826	(15,511)
Capital outlay	0	38,760	(38,760)

The Board agrees and will monitor the budget and make amendments in the future when appropriate.

(07-2) Ability to Prepare Financial Statements and Related Note Disclosures

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Board members. The Township relies on its auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Board members review and accept the financial statements on behalf of the Township. The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide an oversight function.

The Board agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

(07-3) General Ledger Accounting

The Township maintains its interim general ledger on the cash basis of accounting. Year-end nonrecurring journal entries to convert the general ledger to the modified accrual basis of accounting are left to the auditors to prepare. Board members review and accept the journal entries and adjusted general ledger on behalf of the Township. The Board should consider seeking assistance from an outside party so that its general ledger can be maintained on the modified accrual basis of accounting in the future.

The Board agrees and will attempt to convert its interim general ledger to the modified accrual basis of accounting.